

U.S. Customs and Border Protection Office of Strategic Trade Regulatory Audit Division

Errors Disclosed to Customs

Introduction

In March 2003, the U.S. Customs Service became part of the U.S. Customs and Border Protection, which will continue to be referenced as Customs in this document.

The Regulatory Audit Division has updated its policy for determining the treatment of errors disclosed to Customs before or after commencement of an assessment or audit. These changes resulted from the implementation of the Focused Assessment (FA) and an ongoing effort to address trade concerns. While companies want to be given recognition when they find errors and disclose them, Customs must provide equitable and consistent treatment of those errors during the FA. Also, special procedures are included to address post-entry adjustments resulting from official Customs programs designed for that purpose.

Procedures

Systemic errors are caused by a breakdown in a system. If the system was corrected, the errors would not recur. To consider an error systemic, the FA team has to be able to identify the system failure that caused the problem. Generally, if the system weakness that caused the error cannot be identified, or if a reasonable change in the system would not prevent the problem, then there is no systemic problem. Nonsystemic errors will not be considered in the evaluation of adequacy of internal controls or in the calculation of extent of compliance.

Systemic errors that appear in Customs samples will not be included as errors in determinations of adequacy of internal controls or compliance if the company has submitted a correction for the error to Customs and:

1. The submission was the result of a Customs post-entry program, such as a supplemental information letter (SIL), Post-Entry Adjustment (PEA), Customs reconciliation, or a specific agreement with Customs for recurring, periodic post-entry adjustments;
2. The company has an internal control system in place to review its Customs transactions, inform Customs of any errors through the Customs post-entry process, and correct the cause of the systemic problem, when possible; and
3. The company can demonstrate this practice was being followed prior to the commencement of the FA (i.e., company has not disclosed errors just because it is being audited).

If the submission was not the result of a Customs program designed for post-entry adjustments, such as SIL, PEA, Customs reconciliation, or a specific agreement with Customs for recurring, periodic post-entry adjustments, the systemic errors will be considered in determinations of adequacy of internal controls or in the calculation of extent of compliance.

However, if the importer implements system improvements to prevent recurrence of those errors and these system improvements have been tested by the FA team and found to have

corrected the deficiency, then this will be considered when issuing an opinion on the importer's risk.